

Q2 2017



City of Upland Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2017)

Upland In Brief

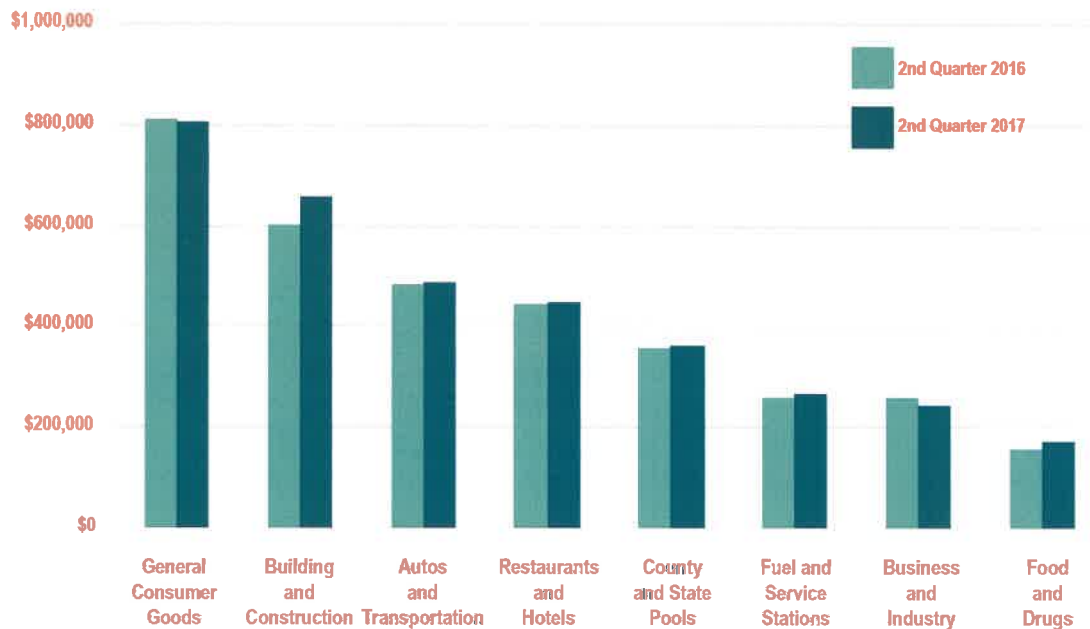
Upland's allocation of sales and use tax from its April through June sales was 2.0% higher than the second quarter of 2016. Actual sales activity was up 2.9% after factoring for accounting anomalies.

A solid quarter for building and construction supplies, higher fuel prices and a previous addition to the grocery classification were the primary contributors to the actual increase.

The gains were partially offset by declines in sales of autos and some categories of general consumer goods and by a closeout within the business-industrial group.

Net of aberrations, sales and use tax receipts for all jurisdictions within San Bernardino County rose 4.3% over the comparable time period while Southern California as a whole, was up 3.4%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Marshalls
AT&T	Mountain View Chevrolet
Bed Bath & Beyond	Nordstrom Rack
Chevron	RV Spa
Circle K	Stater Bros
Dick's Sporting Goods	Stellar Industrial Supply
Euclid Arco	Target
Ford of Upland	TJ Maxx
Holliday Rock	USA Gasoline
Home Depot	Verizon Wireless
Kohls	Vons Gas
Lifetouch National School Studios	Walmart
Lowe's	

REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2016-17	2017-18
Point-of-Sale	\$3,021,865	\$3,085,916
County Pool	358,624	363,749
State Pool	1,031	(1,587)
Gross Receipts	\$3,381,520	\$3,448,078
Less Triple Flip*	\$0	\$0

*Reimbursed from county compensation fund

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California Overall

Local government's one-cent share of statewide sales and use tax from transactions occurring April through June was 3.2% higher than the same quarter of 2016 after payment aberrations are factored out.

The largest percentage increases were from the countywide allocation pools, building supplies and rising fuel prices. Auto sales and restaurants continued to post solid gains. Except for value priced apparel and dollar stores, most categories of general consumer goods were down or flat with the growth in online shopping shifting tax receipts to in-state distribution centers or to the countywide allocation pools.

Receipts from business and industrial transactions were lower than last year's comparable quarter because of declines in new alternative energy projects. Agricultural and new technology related purchases exhibited healthy gains as did sales of warehouse and construction equipment. Most other categories were down from 2016.

Where does the Money Go?

E-commerce, technology and changing consumer preferences have retailers undergoing a dizzying transformation as they compete for customers through online websites, mobile apps, home delivery, social media, pop-up/flex stores and pick-up lockers as well as traditional brick and mortar businesses.

The changes in how goods are inventoried, sold and delivered has created some confusion in allocating local sales and use tax. However, it still involves three basic principles:

- Location where the sale is negotiated
- Location of goods at time of sale
- Ownership of goods being sold

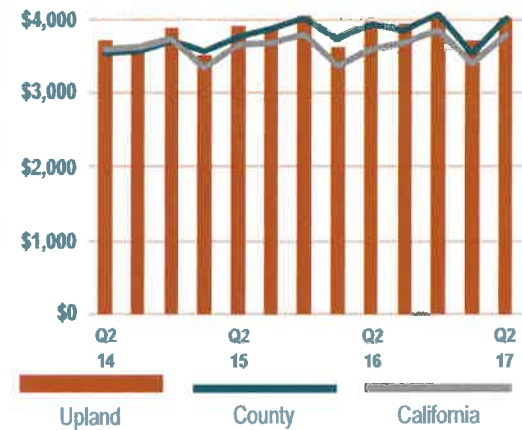
Place of sale continues to be California's primary rule for allocating local sales tax. If the inventory is owned by the seller and is located in-state, the tax goes to the location that participates in the sale, either by receiving the order or

shipping the goods. If the order is taken outside the state but the seller owns the inventory and delivers the goods from inside California, the tax is allocated to the jurisdiction where the warehouse is located. Otherwise, the tax is shared by all agencies in the county where the goods are shipped on a pro-rata basis through the county allocation pools.

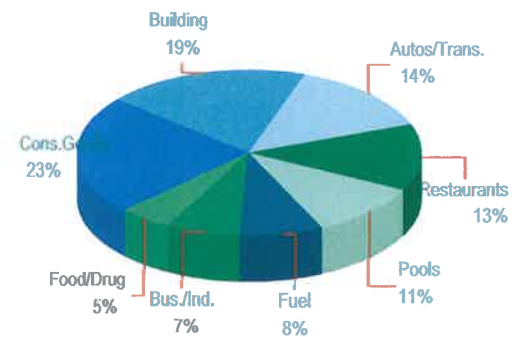
Ownership of the goods being sold is also a factor. In order for an agency to receive a direct allocation of local tax for goods shipped from a California fulfillment center, the location must be the retailer's place of business and not owned or operated by a separate legal entity. If the retailer has no place of business in California, the only opportunity for local tax is an indirect allocation through the countywide pools.

For jurisdictions with transactions tax overrides, that tax goes to the place of purchase rather than the place of the seller. For example, the sales tax on the purchase of an automobile goes to the seller's location. However, the transactions tax, if any, goes to the jurisdiction where the buyer's vehicle is registered.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP Upland This Quarter



UPLAND TOP 15 BUSINESS TYPES

<i>*In thousands of dollars</i>	Upland		County	HdL State
Business Type	Q2 '17*	Change	Change	Change
Building Materials	371.4	4.3%	8.5%	6.0%
Casual Dining	162.1	-6.3%	0.7%	2.0%
Contractors	— CONFIDENTIAL —		16.4%	9.7%
Convenience Stores/Liquor	57.3	7.6%	7.0%	5.2%
Department Stores	80.6	-15.5%	-3.0%	-2.3%
Discount Dept Stores	— CONFIDENTIAL —		3.0%	3.2%
Electronics/Appliance Stores	90.4	11.5%	0.3%	0.3%
Family Apparel	57.4	4.4%	6.3%	4.0%
Grocery Stores	83.0	15.1%	1.7%	2.1%
Light Industrial/Printers	59.9	6.9%	5.5%	6.0%
New Motor Vehicle Dealers	300.3	-7.0%	3.0%	3.2%
Quick-Service Restaurants	209.9	5.3%	8.9%	5.9%
Service Stations	268.3	3.1%	7.8%	8.6%
Specialty Stores	126.8	0.9%	-1.2%	1.0%
Sporting Goods/Bike Stores	59.7	-8.5%	-18.5%	-15.1%
Total All Accounts	3,085.9	2.1%	3.1%	6.4%
County & State Pool Allocation	362.2	0.7%	1.7%	-9.9%
Gross Receipts	3,448.1	2.0%	3.0%	4.1%